

CORRECTED FISCAL MEMORANDUM

SB 611 – HB 653

January 30, 2008

SUMMARY OF AMENDMENTS (008425, 008450, 009769):

Deletes all language of the original bill. Makes changes to current law pertaining to the HOPE Scholarship program to include: increases the HOPE Scholarship award for FY2007-08 at four-year institutions to \$4,000 and \$2,000 at two-year institutions and increases the Wilder-Naifeh technical skills grant to \$2,000; establishes the Tennessee HOPE community college grant of \$2,000; specifies the award amount of the HOPE Foster Child Tuition Grant; and establishes the Tennessee Student Assistance Fund within the State Treasury.

FISCAL IMPACT OF ORIGINAL BILL:

Other Fiscal Impact – Increases the expenditure of lottery proceeds earmarked for scholarships and grants by \$34,603,200 in FY07-08 and by \$38,062,000 in FY08-09.

There is included in the Governor's FY2007-08 Recommended Budget the amount of \$9,300,000 from recurring lottery for education revenues for the increase in the base HOPE Scholars award levels. The amounts will increase from \$3,800 to \$4,000 at four-year schools and from \$1,900 to \$2,000 at two-year schools. Other awards, which are based on the HOPE award levels, will increase accordingly.

FISCAL IMPACT OF BILL WITH PROPOSED AMENDMENTS:

On June 12, 2007, we issued the following estimated fiscal impact for this bill as amended:

Increase State Expenditures - \$3,300 Each One Day Meeting

Other Fiscal Impact – Increases the net expenditure of lottery proceeds earmarked for scholarships and grants by \$25,600,000 in FY07-08 and by \$29,800,000 in FY08-09.

Establishes the Tennessee Student Assistance Fund within the State Treasury and transfers \$210,000,000 from the Lottery for Education Account into such fund beginning July 1, 2007. On July 1 of each fiscal year such funds shall be transferred into the Fund. The principal amount of the fund shall equal

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\$200,000,000. The amount of \$10,000,000 is to be used for need-based grants in Year 1. In Year 2 and thereafter, based on a 3.5% interest rate, approximately \$7,000,000 in interest earnings, which would have accrued to the Lottery for Education Account, will now accrue to the Tennessee Student Assistance Fund to be used for need-based grants.

There is included in the Governor's FY2007-08 Recommended Budget the amount of \$9,300,000 from recurring lottery for education revenues for the increase in the base HOPE Scholars award levels. The amounts will increase from \$3,800 to \$4,000 at four-year schools and from \$1,900 to \$2,000 at two-year schools. Other awards, which are based on the HOPE award levels, will increase accordingly.

Based on new information received from the Tennessee Student Assistance Corporation (TSAC) and the Tennessee Higher Education Commission (THEC), the revised fiscal impact is estimated as follows:

(CORRECTED)

Increase State Expenditures - \$3,300 Each One Day Meeting

Other Fiscal Impact – Increases the net expenditure of lottery proceeds earmarked for scholarships and grants by \$23,002,000 in FY07-08 and by \$28,490,000 in FY08-09.

Establishes the Tennessee Student Assistance Fund within the State Treasury and transfers \$210,000,000 from the Lottery for Education Account into such fund beginning July 1, 2007. On July 1 of each fiscal year such funds shall be transferred into the Fund. The principal amount of the fund shall equal \$200,000,000. The amount of \$10,000,000 is to be used for need-based grants in Year 1. In Year 2 and thereafter, based on a 3.5% interest rate, approximately \$7,000,000 in interest earnings, which would have accrued to the Lottery for Education Account, will now accrue to the Tennessee Student Assistance Fund to be used for need-based grants.

Assumptions applied to amendments:

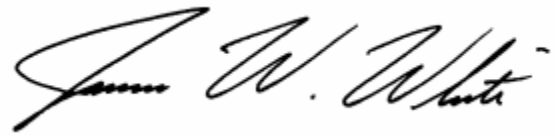
- Increases HOPE scholarship award amounts for FY07-08 from \$3,800 to \$4,000 for 4-year institutions and from \$1,900 to \$2,000 for 2-year institutions and increases the Wilder-Naifeh technical skills grant from \$1,500 to \$2,000. First year cost of \$0. Second year cost of \$0. This passed as part of the 2007 appropriations bill.
- Increases the income requirement (AGI) from \$36,000 to \$45,000 -- First year cost of \$5,200,000. Second year cost of \$5,700,000.

- Tennessee Scholar Supplemental Award of \$1,000 – First year cost of \$6,000,000. Second year cost of \$8,800,000.
- Dual enrollment grant – First year cost of \$1,200,000. Second year cost of \$2,400,000.
- Changes applicable to non-traditional students – First year cost of \$3,200,000. Second year cost of \$3,200,000.
- Changes applicable to non-traditional students eligible for the Wilder-Naifeh Grant at a community college – First year cost of \$2,228,000. Second year cost of \$2,228,000.
- HOPE Foster Child Tuition Grant – First year cost of \$50,000. Second year cost of \$50,000.
- Students residing in on-campus housing – First year cost of \$226,000. Second year cost of \$248,000.
- Changes applicable to the replacement of 120 semester hours with five full-time equivalent years or degree – First year cost of \$2,400,000. Second year cost of \$2,400,000.
- Dependent child of member of military – First year cost of \$400,000. Second year cost of \$440,000.
- Tennessee HOPE Teacher’s Scholarship (private teachers) – First year cost of \$100,000. Second year cost of \$110,000.
- Dependent child of a religious worker – First year cost of \$120,000. Second year cost of \$132,000.
- Establishes the Tennessee HOPE Community grant of \$2,000 – First year cost of \$1,022,000. Second year cost of \$1,840,000.
- Establishes the “Tennessee Student Assistance Fund” within the State Treasury and deposits into such fund on July 1, 2007 for FY07-08, \$210,000,000 from the Lottery for Education Account, of which \$200,000,000 shall remain as principal. On July 1 of each fiscal year, such funds shall be transferred into the Fund. TSAC excess lottery funds of \$10,000,000.
- Changes applicable to removing the checkpoint requirement for regaining the HOPE scholarship. First year cost of \$856,000. Second year cost of \$942,000.
- Total net first year impact - \$23,002,000 (\$33,002,000 including \$10,000,000 from reserve).
- Total net second year impact - \$28,490,000 (\$38,490,000 including \$10,000,000 from reserve).

- Creates a special 12-member joint legislative committee to study the manner in which financial assistance is provided to individuals from net lottery proceeds to attend postsecondary institutions. The committee will cease to exist on February 1, 2008. Estimated state cost of \$3,300 for each one day meeting of the committee.

CERTIFICATION:

This is to duly certify that the information contained herein is true and correct to the best of my knowledge.

A handwritten signature in black ink, reading "James W. White". The signature is fluid and cursive, with the first name "James" written in a larger, more prominent script than the last name "White".

James W. White, Executive Director

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